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Denial

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Publicly:

- o The French, Germans, and other Economic Summit countries could reinterpret the Versailles Summit agreement on East-West economic relations in a positive vein. This agreement is ambiguous enough to cover many possibilities.
- o There could be a new declaration on energy cooperation including natural gas.
- o The Europeans and Japanese could reaffirm a policy of not undercutting US export controls on oil and gas equipment to the USSR until the political situation in Poland improves.

Privately:

- o The Europeans and Japanese could agree to deny the USSR certain types of oil and gas equipment and technology until the political situation improves in Poland. The selection of the denied items would be based on two criteria:
 - (1) The impact on the Soviet economy, which depends on the seriousness of the bottlenecks created by the denial of an item.
 - (2) The size of the West European and Japanese stake in production of an item. The smaller the Allies' economic stake (in terms of value of exports, number of jobs, etc.), the less painful any denial decision would be. In some cases (e.g., high capacity, downhole pumps), all production now comes from the US, so that denial by the Allies would merely prevent their firms from starting up production to

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undercut the US embargo. The Allies' restrictions should be capable of inflicting damage on the Soviet economy at least equivalent to the damage that could be caused by last June's expansion of the US restrictions of oil and gas equipment and technology.

- o The Europeans and Japanese could also agree to restrain their use of government-guaranteed credits to the USSR and to enter into further discussions with a view to eliminating subsidized interest rates but without substantially damaging any Western country's share of the Soviet market.
- o They could also agree to reduce the flow of military-related goods and technology to the USSR by:
 - (1) Bringing COCOM controls up to date to cover very recent technologies with direct application to the production of weapons' systems.
 - (2) Expanding COCOM controls to specific areas of technology which are used to produce important and unique inputs into the production of weapons' systems.
 - (3) Tightening enforcement procedures for prohibited exports.
- o The US could agree to pursue the economic analysis of East-West trade, hard currency debt and credits primarily through the OECD, but the Europeans would then agree to discuss the implications of East-West economic relations for the Alliance in NATO.

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- o An informal group of the Big Seven would be established to regularly discuss, or if possible coordinate policies on East-West economic relations.

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